

# BUSINESS REPORT

FOR THE 84TH FISCAL TERM

FROM APRIL 1, 2019  
TO MARCH 31, 2020

10-1, Higashikotari 1-chome, Nagaokakyo-shi, Kyoto, Japan  
Murata Manufacturing Co., Ltd.

Tsuneo Murata  
Chairman of the Board,  
President and Representative Director

# Business Report

From April 1, 2019  
to March 31, 2020

## 1. Matters Concerning Status of the Company Group

### (1) Main business areas

The Company Group is an electronic component manufacturer that primarily engages in manufacturing and sales of electronic components and related products primarily of ceramic material, Components (such as capacitors, piezoelectric products and lithium ion secondary batteries) and Modules (communications modules and power supplies), and conducts vertically integrated technological development and manufacturing, from inorganic and organic chemical materials, to ceramics and electronic components. Through the creation of original products that utilize a technological base featuring uniquely developed and accumulated materials development, process development, product design, manufacturing technology, and software, analysis, and evaluation to support the above, the Company Group conducts sales for various electronic components that are used in products such as communications devices including smartphones, AV devices, computers and peripheral devices, automotive electronics, and home electric devices.

### (2) Business progress and results

#### 1) Business conditions

In the global economic environment for the fiscal year under review, a slowdown in the Chinese economy caused by the trade friction with the U.S. was increasingly apparent. In the U.S., economic prospects gradually worsened despite continuous employment growth. The European economy also weakened, due to a downturn in manufacturing in the context of trade issues afflicting the region. In addition, the spread of novel coronavirus disease (COVID-19) towards the end of the fiscal year stalled economic activity around the globe, and continues to exert a negative impact on the world economy.

The electronics market generated growth in demand for products related to 5G technology (5th Generation Mobile Communication System). Demand for components of wide-ranging uses indicated weakness, however, due partly to the adjustment of electronic equipment production and electronic component inventory. As for electronic components used for car electronics, while the number of automobiles sold decreased, the upward trend in the number of components installed per end product continued thanks to improvement in vehicle environmental friendliness and safety.

Given such a background, net sales decreased by 2.6% year on year to 1,534,045 million yen in the fiscal year under review. An increase in the sales of multilayer ceramic capacitors (MLCCs) used for base stations and car electronics was more than offset by a decrease in the sales of multilayer resin substrates, lithium ion secondary batteries, and MLCCs for smartphones and a negative effect of foreign exchange (year-on-year appreciation of 2.16 yen to a U.S. dollar).

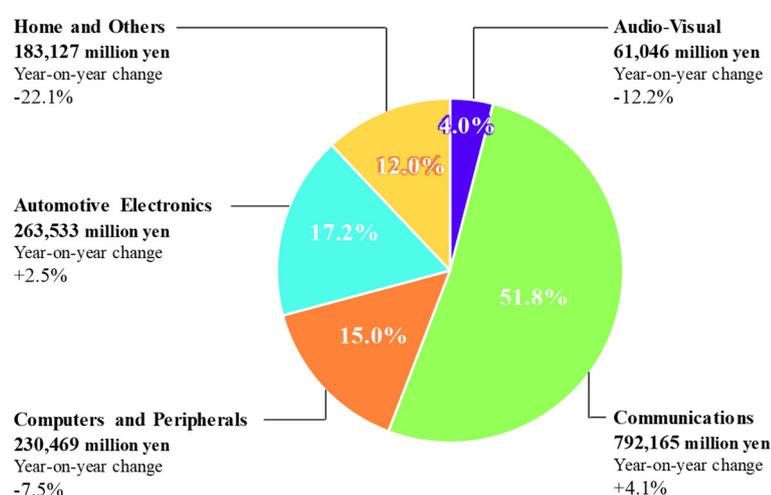
Operating income was 253,247 million yen, down 5.1%, income before income taxes was 254,032 million yen, down 5.0%, and net income was 183,012 million yen, down 11.6% from the fiscal year ended March 31, 2019. The decrease in profit was mainly caused by—despite the contribution to income made by cost reduction activities—a drop in operating rates, a decrease in product prices, a rise in depreciation and amortization, and stoppages at the Company Group overseas production facilities due to the spread of COVID-19.

ROIC (Return on Invested Capital) (pre-tax) is established as a priority management index in “Mid-term Direction 2021.” ROIC (pre-tax) in the fiscal year under review was 16.1%, down 2.8 percentage points from the fiscal year ended March 31, 2019. The decrease in ROIC (pre-tax) was due to the decrease in operating income, in addition to an increase in invested capital, with capital expenditures to expand buildings and production capacity in anticipation of higher demand for electronic components in the medium- to long-term.

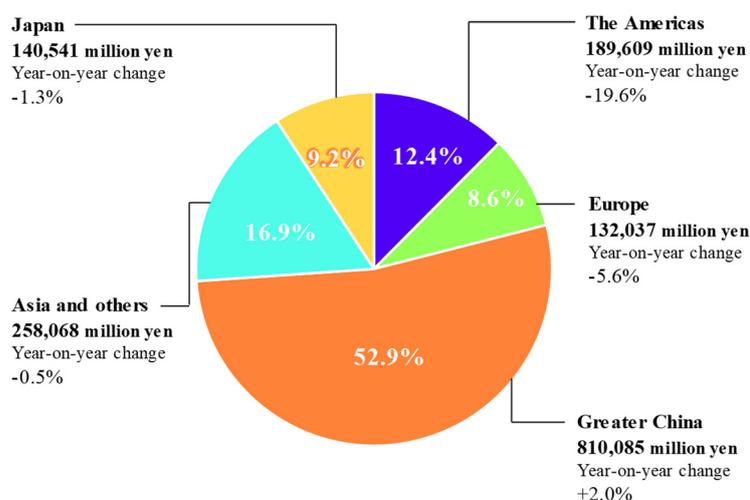
## Key financial results

Net sales	1,534,045	million yen	YoY	-2.6%
Operating income	253,247	million yen	YoY	-5.1%
Income before income taxes	254,032	million yen	YoY	-5.0%
Net income attributable to the Company	183,012	million yen	YoY	-11.6%
Return on invested capital (ROIC) (pre-tax basis)	16.1	%	YoY	-2.8 percentage points

### Sales by Application (Based on the Company's estimates)



### Sales by Area



## 2) Sales by product category

### [Capacitors]

(Main products: MLCCs, etc.)

Orders and backlogs

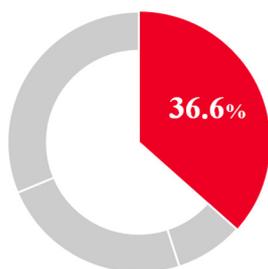
**538,529 million yen**

Net sales

**559,438 million yen**

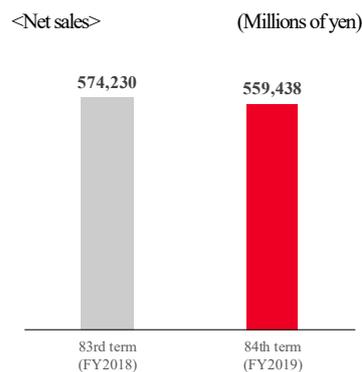
YoY

**-2.6%**



For the fiscal year under review, sales of MLCCs, the main product in this category, used for base stations led by the introduction of 5G technology (5th Generation Mobile Communication System) and car electronics increased. Demand for MLCCs used for a wide range of products, however, somewhat weakened due to the adjustment of electronic equipment production and electronic component inventory.

As a result, overall net sales decreased by 2.6% year-on-year to 559,438 million yen.



### [Piezoelectric Components]

(Main products: SAW filters, ceramic resonators, piezoelectric sensors, etc.)

Orders and backlogs

**132,220 million yen**

Net sales

**129,254 million yen**

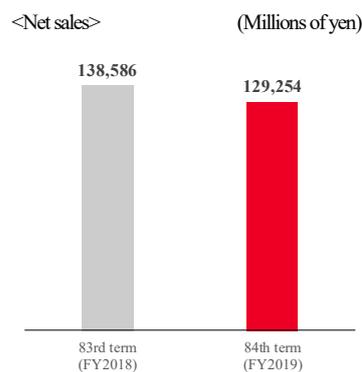
YoY

**-6.7%**



Sales for use in smartphones decreased in the fiscal year under review, due to progressive price reductions for SAW filters.

As a result, overall net sales decreased by 6.7% year-on-year to 129,254 million yen.



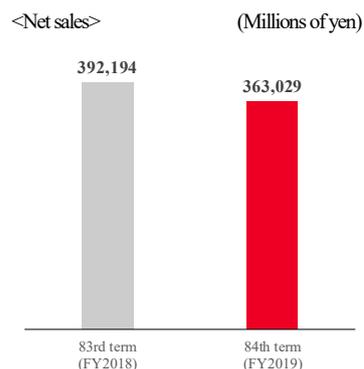
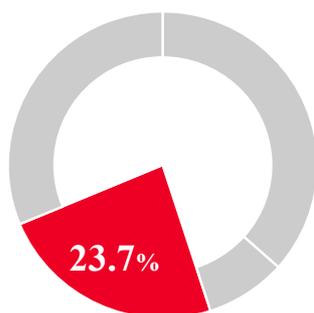
[Other Components]

(Main products: Lithium ion secondary batteries, inductors (coils), electromagnetic interference suppression filters, sensors, connectors, thermistors, etc.)

Orders and backlogs	<b>362,600 million yen</b>
Net sales	<b>363,029 million yen</b>
YoY	<b>-7.4%</b>

For the fiscal year under review, sales of lithium ion secondary batteries used for smartphones and power tools were sluggish despite an increase in sales of coils for smartphones and PCs.

As a result, overall net sales decreased by 7.4 % year-on-year to 363,029 million yen.



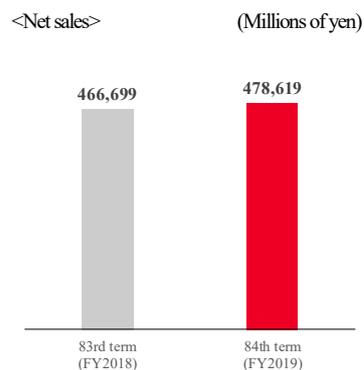
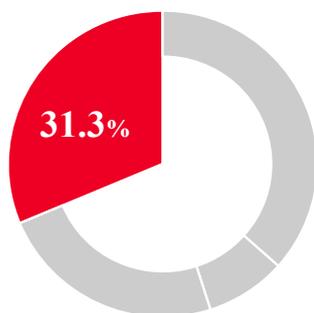
[Modules]

(Main products: Short-range wireless communication modules, multilayer resin substrates, circuit modules, radio frequency sub modules, power supplies modules, multilayer ceramic devices, etc.)

Orders and backlogs	<b>473,700 million yen</b>
Net sales	<b>478,619 million yen</b>
YoY	<b>+2.6%</b>

For the fiscal year under review, sales of radio frequency sub modules for high-end smartphones grew substantially, despite a decline in sales of multilayer resin substrates and short-range wireless communication modules for high-end smartphones.

As a result, overall net sales increased by 2.6% year-on-year to 478,619 million yen.



### (3) Mid-term Business Plan and Issues to be addressed

In the “Mid-term Direction 2021,” started from the fiscal year ended March 31, 2020, we set communication and automotive market as our important growing market. We aim to expand business in these markets by accurately capturing business opportunities and maintaining competitive advantages. In order to realize healthy and sustainable growth, we have defined three corporate-wide issues to tackle. Firstly, we aim to create further customer value by implementing efficient resource allocation through portfolio management. Secondly, we improve capital and labor productivity dramatically and establish a stable supply system that can respond to demand fluctuations. Lastly, we focus on strengthening “Business and Management Foundation” to accommodate the expansion of our business, while fully recognizing the Company Group’s impact on the society and the environment, and conduct business in consideration of these factors.

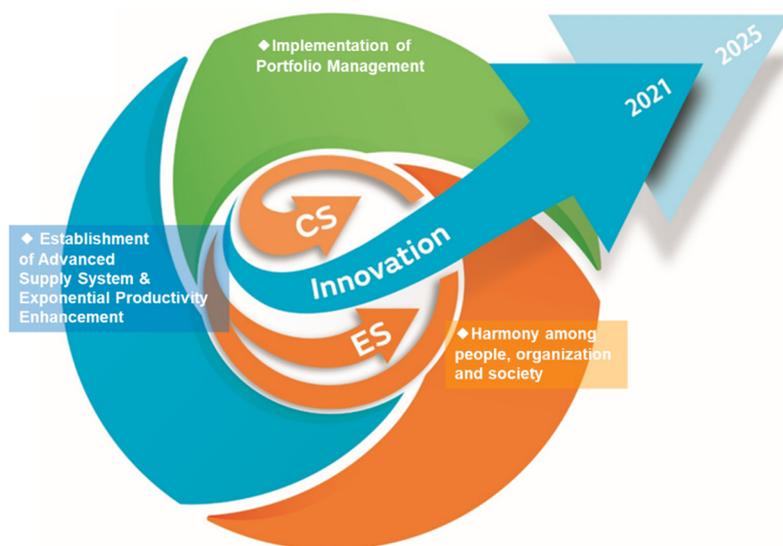
#### 1) Capturing Business Opportunities in Growth Markets

##### Pursuit of Competitive Advantages in the Communication Market

The growth of production volumes of mobile communication equipment, mainly smartphones, is slowing down. However, we can still expect an increase in the number of electronic components per device, due to the improved functionality of devices and the increase in added value of devices following the greater demand for new products. Especially in the fiscal year under review, 5G services have been launched in China and other areas, resulting in the increased demand for cellular base stations, data centers, and other telecommunication infrastructures. As a result, sales of large-capacity MLCCs, multilayer device chip and radio frequency sub modules have increased. We will aim to maintain our competitive advantages and increase our market shares by offering technology and products that can meet advanced customer needs required for applications utilizing 5G performance.

##### Making the Automotive Market the Next Pillar of Revenue

As our next pillar of revenue, we are currently focusing on the automotive market, which, along with the communication market, will lead the demand for electronic components. With the progress of electrification and autonomous driving in the automotive market, the demand for electronic components mainly used around semiconductors has expanded, as the number of semiconductors in cars has increased. As a result, sales of our capacitors for the automotive market have increased. In addition, the demand for sensors for safe driving and wireless modules for data communication is expected to grow. We will continue to provide a wide range of products that have high reliability and utilize the Company Group’s strengths in areas such as sensing, communication, small size, and noise suppression to sustain our growth.



#### 2) Current Status of Our Three Corporate-Wide Issues

### **Implementation of Portfolio Management**

By implementing portfolio management within Murata, we hope to create a business portfolio composed of “Global No. 1” products and create additional customer value by designing and offering combinations of different technologies and products. To achieve these goals, we must create a system that enables efficient resource allocation from an overall corporate perspective, and we are implementing a business evaluation model to do so. We aim to create a strong and sustainable organization by using this model to manage our business portfolio.

### **Establishment of Advanced Supply System & Exponential Productivity Enhancement**

Our goal is to drastically improve capital and labor productivity, and to establish a stable supply system that can respond to demand fluctuation while maintaining quality that satisfies our customers. We hope to improve productivity by utilizing IoT (Internet of Things) and eliminating constraints and wasteful activities to achieve optimization and standardization. It is particularly important to reinforce our efforts for higher quality in order to expand our business in the automotive market. We need to realize zero-defect manufacturing by foreseeing quality variances and taking preventive measures to achieve manufacturing that does not allow defective goods to leave the plant, and correct problems in a timely manner. In addition, to adapt to volatile demand fluctuations especially in consumer markets and to create a stable supply system, we will strive to unitarily manage our entire supply chain. We will also create business processes and systems that enable high-speed, high-precision decision making and execution.

### **Harmony among People, Organization, and Society**

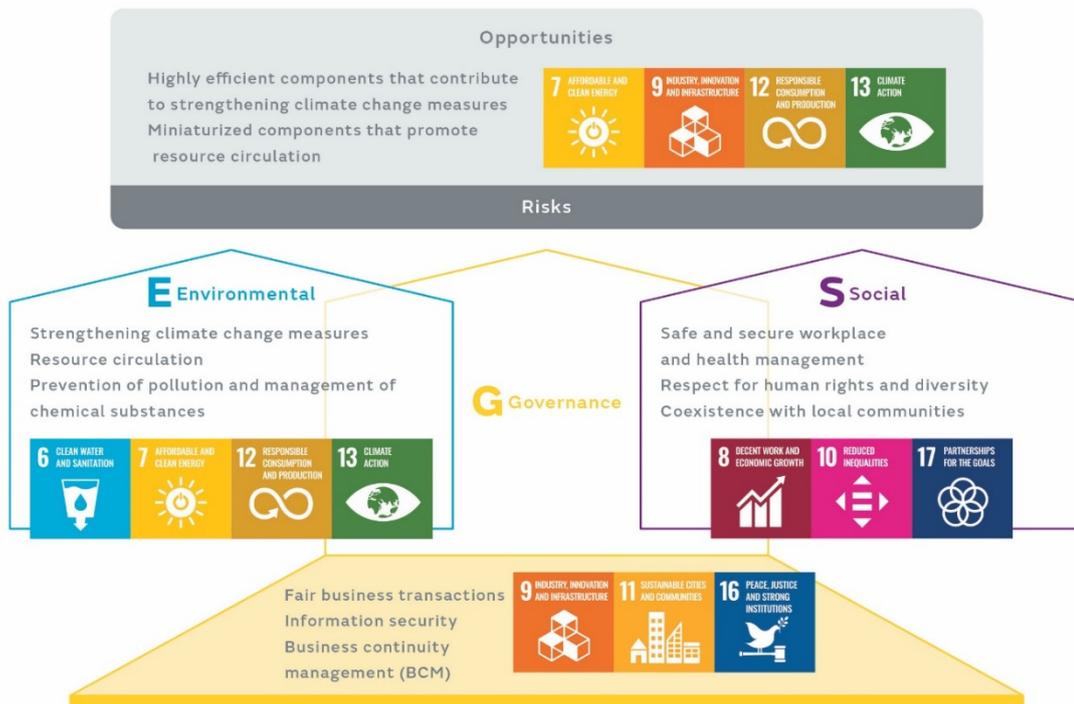
By solving this issue, we want to realize the statement, “Murata is a company trusted by society, and is able to improve its systems and organization according to the growth of each employee and the growth of its businesses to adapt to ever-changing business opportunities.” Murata has been committed to addressing social issues through contributing to the advancement of society by creating innovative products and solutions. However, we have viewed this fiscal year as a time to review the Company Group’s relationship with social issues and how we can make a difference. Accordingly, based on the “Basic Policies on Identifying Materiality Issues” on the next page, we have identified key “materiality issues” for the Company Group and our stakeholders. Regarding these materiality issues, we will identify clear targets and accelerate initiatives to address these social issues in harmony with our business activities. The Company Group also considers corporate governance to be one of the top priorities of management and we will continue to strive to establish and operate an optimal management system for the sustainable development of our company.

## Basic Policies on Identifying Materiality Issues

In our work on social issues thus far, Murata has adopted an approach of “taking the initiative for the better environment and society” defined by our identity “Innovator in Electronics.” This identity shall be shared and valued by all employees of the Murata Group around the world. We will continue to value this ideal. The Company Group’s basic policy is to contribute to resolving social issues through its business activities.

## The Company Group’s Materiality Issues

We have defined the areas that the Company Group will focus on as materiality issues. In addition, we have identified key issues by classifying them into two categories; resolving social issues through business activities (opportunities), and confronting social issues related to business processes (risks). We will continue to increase our corporate value by contributing to the resolution of social issues through innovations created by the Company Group’s technologies, as well as by constantly monitoring and improving the societal impact of our business activities.



(4) Status of capital expenditures

During the fiscal year under review, the Company Group had capital expenditures totaling 281,599 million yen.

Primary components were 110,103 million yen in reinforcement and rationalization of manufacturing facilities of the Company and its subsidiaries, 116,549 million yen in the acquisition of land and buildings, and 14,871 million yen in reinforcement of research and development facilities.

No eliminations or sales that had a significant effect on manufacturing capabilities were carried out.

(5) Status of property and profits

1) Status of property and profits of the Company Group

		(Millions of yen, %)							
Item	Term	81st Fiscal Term From April 1, 2016 to March 31, 2017		82nd Fiscal Term From April 1, 2017 to March 31, 2018		83rd Fiscal Term From April 1, 2018 to March 31, 2019		84th Fiscal Term From April 1, 2019 to March 31, 2020	
		Amount	Year-on-year change	Amount	Year-on-year change	Amount	Year-on-year change	Amount	Year-on-year change
Net sales		1,135,524	93.8	1,371,842	120.8	1,575,026	114.8	1,534,045	97.4
Income before Income taxes		200,418	71.8	167,801	83.7	267,316	159.3	254,032	95.0
Net income attributable to the Company		156,060	76.6	146,086	93.6	206,930	141.6	183,012	88.4
Total assets		1,634,999	107.7	1,797,013	109.9	2,048,893	114.0	2,250,230	109.8
Shareholders' equity		1,354,819	110.2	1,456,600	107.5	1,603,976	110.1	1,694,104	105.6
Basic earnings attributable to the Company per share		Yen 244.62	-	Yen 228.62	-	Yen 323.45	-	Yen 286.05	-
Shareholders' equity ratio		% 82.9	-	% 81.1	-	% 78.3	-	% 75.3	-

- (Notes)
1. The Company's consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America.
  2. The basic earnings attributable to the Company per share are calculated based on "Accounting Standards Codification (ASC) 260: Earnings Per Share" published by the Financial Accounting Standards Board (FASB) of the United States of America.
  3. The Company implemented a three-for-one common stock split, effective April 1, 2019. Basic earnings attributable to the Company per share were calculated on the assumption that the relevant stock split had been implemented at the beginning of the 81st Fiscal Term.
  4. Amounts of less than one million yen are rounded to the nearest million yen.

2) Status of property and profits of the Company

(Millions of yen, %)

Item	81st Fiscal Term From April 1, 2016 to March 31, 2017		82nd Fiscal Term From April 1, 2017 to March 31, 2018		83rd Fiscal Term From April 1, 2018 to March 31, 2019		84th Fiscal Term From April 1, 2019 to March 31, 2020	
	Amount	Year-on-year change	Amount	Year-on-year change	Amount	Year-on-year change	Amount	Year-on-year change
Net sales	831,136	93.5	948,594	114.1	1,053,105	111.0	1,044,772	99.2
Ordinary income	73,134	76.4	41,193	56.3	63,623	154.5	68,629	107.9
Net income	75,754	93.8	48,095	63.5	67,005	139.3	67,669	101.0
Total assets	942,873	112.2	1,015,877	107.7	1,053,270	103.7	1,147,829	109.0
Net assets	580,270	108.9	587,945	101.3	595,827	101.3	601,650	101.0
Basic earnings per share	Yen 118.74	-	Yen 75.27	-	Yen 104.73	-	Yen 105.77	-
Shareholders' equity ratio	% 61.5	-	% 57.9	-	% 56.6	-	% 52.4	-

- (Notes) 1. The Company implemented a three-for-one common stock split, effective April 1, 2019. Basic earnings per share were calculated on the assumption that the relevant stock split had been implemented at the beginning of the 81st Fiscal Term.
2. Amounts of less than one million yen are rounded down to the nearest million yen.

(6) Primary sites and status of significant subsidiaries of the Company

1) The Company (As of March 31, 2020)

Name	Location
Head Office	Nagaokakyo-shi, Kyoto
Tokyo Branch	Shibuya-ku, Tokyo
Yokaichi Plant	Higashiomi-shi, Shiga
Yasu Division	Yasu-shi, Shiga
Yokohama Technical Center	Yokohama-shi, Kanagawa
Nagaoka Plant	Nagaokakyo-shi, Kyoto

2) Subsidiaries (As of March 31, 2020)

Company name	Capital	Share of voting rights held by the Company	Primary business areas	Head office location
Fukui Murata Manufacturing Co., Ltd.	Millions of yen 300	100 %	Manufacturing of components	Echizen-shi, Fukui
Izumo Murata Manufacturing Co., Ltd.	430	100	Manufacturing of components	Izumo-shi, Shimane
Toyama Murata Manufacturing Co., Ltd.	450	100	Manufacturing of components and modules	Toyama-shi, Toyama
Kanazawa Murata Manufacturing Co., Ltd.	480	100	Manufacturing of components and modules	Hakusan-shi, Ishikawa
Okayama Murata Manufacturing Co., Ltd.	480	100	Manufacturing of components and modules	Setouchi-shi, Okayama
Komoro Murata Manufacturing Co., Ltd.	200	100	Manufacturing of modules	Komoro-shi, Nagano
Tohoku Murata Manufacturing Co., Ltd.	300	100	Manufacturing and development of components	Koriyama-shi, Fukushima
Murata Electronics North America, Inc.	Thousands of US\$ 14,406	100	Sales of products of the Company and its subsidiaries and associates	United States of America
Murata Company Limited	Thousands of HK\$ 1,900,000	100	Sales of products of the Company and its subsidiaries and associates	People's Republic of China

Company name	Capital	Share of voting rights held by the Company	Primary business areas	Head office location
Murata (China) Investment Co., Ltd.	Thousands of US\$ 145,000	100	Marketing and engineering activities in Greater China, General management of Chinese sales companies	People's Republic of China
Murata Electronics Trading (Shanghai) Co., Ltd.	Thousands of US\$ 23,400	100 (Note)	Sales of products of the Company and its subsidiaries and associates	People's Republic of China
Wuxi Murata Electronics Co., Ltd.	Thousands of US\$ 312,000	100 (Note)	Manufacturing of components	People's Republic of China
Shenzhen Murata Technology Co., Ltd.	Thousands of US\$ 58,100	100 (Note)	Manufacturing of modules	People's Republic of China
Murata Energy Device Wuxi Co., Ltd.	Thousands of US\$ 456,220	100 (Note)	Manufacturing and sales of components	People's Republic of China
Foshan Murata Minmetals Material Co., Ltd.	Thousands of US\$ 68,900	90 (Note)	Manufacturing of raw materials	People's Republic of China
Murata Electronics Europe B.V.	Thousands of EURO 245,000	100	Sales of products of the Company and its subsidiaries and associates	Kingdom of the Netherlands
Korea Murata Electronics Company, Limited	Thousands of WON 1,500,000	100	Sales of products of the Company and its subsidiaries and associates	Republic of Korea
Philippine Manufacturing Co. of Murata, Inc.	Thousands of PHP 7,700,000	100	Manufacturing of components	Republic of the Philippines
Murata Electronics Singapore (Pte.) Ltd.	Thousands of SD 4,000	100	Manufacturing of components, Sales of products of the Company and its subsidiaries and associates, General management of ASEAN sales companies	Singapore

(Note) Ratio includes indirect holdings.

### 3) Progress and results of business combinations

1. In April 2019, the Company merged with subsidiary Murata Electronics Co., Ltd. in an absorption-type merger.
2. In April 2019, subsidiary Murata Electronics Singapore (Pte.) Ltd. merged with subsidiary Murata Energy Device Singapore Pte. Ltd. in an absorption-type merger.
3. The number of consolidated subsidiaries is 89, including 19 significant subsidiaries above. The results of business combinations are as stated in “(2) Business progress and results” in “1. Matters Concerning Status of the Company Group.”

(7) Employees

1) Employees of the Company Group

Number of employees	
As of March 31, 2020	Year-on-year change
Persons	Persons
74,109	-3,462

(Note) The number of employees is the number of persons in regular employment at the Company (excluding persons seconded outside of the Company Group), and does not include seasonal, part-time, or temporary employees (1,601 persons).

2) Employees of the Company

Number of employees		Average age	Average length of service
As of March 31, 2020	Year-on-year change		
Persons	Persons	Years old	Years
9,199	416	41.0	14.9

(Note) The number of employees is the number of persons in regular employment at the Company (excluding persons seconded to subsidiaries, etc., but including persons seconded from subsidiaries, etc.), and does not include seasonal, part-time, or temporary employees (318 persons).

(8) Lenders (As of March 31, 2020)

Lenders	Loan balance
	Millions of yen
Mizuho Bank, Ltd.	13,000
Sumitomo Mitsui Banking Corporation	13,000
The Bank of Kyoto, Ltd.	12,550
THE SHIGA BANK, LTD.	12,550
Other	610
Total	51,710

(9) Funds raised

During the fiscal year under review, the Company Group raised total funds of 50,000 million yen from the issuance of corporate bonds, as follows.

Issue date	Company name	Details	Issue amount
September 10, 2019	Murata Manufacturing Co., Ltd.	3rd Unsecured Straight Corporate Bonds	50,000 million yen

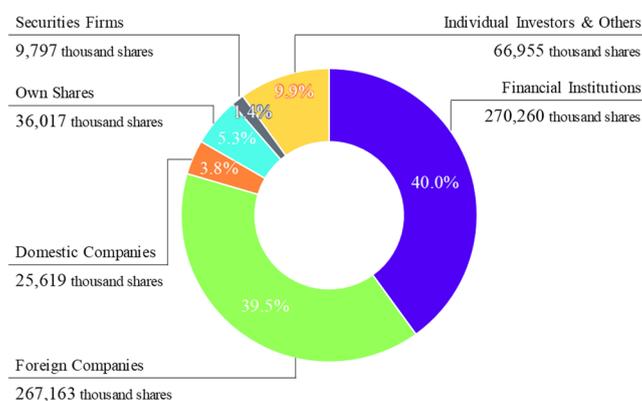
## 2. Matters Concerning Stock (As of March 31, 2020)

- (1) Total number of authorized shares 1,743,000,000 shares (Number of shares per unit: 100 shares)  
 (2) Total number of issued shares 675,814,281 shares (Includes 36,017,849 shares of treasury stock)  
 (3) Number of shareholders 94,712 persons  
 (4) Major shareholders (Top 10)

	Shareholder name	Number of shares held (Thousands of shares)	Ownership ratio (%)
1	The Master Trust Bank of Japan, Ltd. (Trust Account)	42,353	6.6
2	Japan Trustee Services Bank, Ltd. (Trust Account)	40,526	6.3
3	Nippon Life Insurance Company	22,083	3.5
4	SSBTC CLIENT OMNIBUS ACCOUNT	16,552	2.6
5	The Bank of Kyoto, Ltd.	15,780	2.5
6	Meiji Yasuda Life Insurance Company	15,722	2.5
7	JPMorgan Chase Bank 385151	12,002	1.9
8	Japan Trustee Services Bank, Ltd. (Trust Account 5)	11,968	1.9
9	Japan Trustee Services Bank, Ltd. (Trust Account 7)	11,850	1.9
10	JPMorgan Chase Bank 385632	10,741	1.7

(Note) Ownership ratio is calculated after subtracting treasury stock (36,017 thousand shares) from the total number of issued shares.

### Shareholding by shareholder category



### 3. Matters Concerning Corporate Officers of the Company

#### (1) Members of the Board of Directors (As of March 31, 2020)

Name	Positions and responsibilities	Significant concurrent positions	
Tsuneo Murata	Chairman of the Board, President and Representative Director	The Murata Science Foundation	Chairman
Toru Inoue	Member of the Board of Directors Representative Director and Senior Executive Vice President Director of Components Business Unit		
Norio Nakajima	Member of the Board of Directors Representative Director and Senior Executive Vice President Director of Module Business Unit		
Hiroshi Iwatsubo	Member of the Board of Directors Executive Vice President Director of Corporate Technology & Business Development Unit		
Yoshito Takemura	Member of the Board of Directors Executive Vice President Director of Corporate Planning & Administration Unit	Murata (China) Investment Co., Ltd.	President
Ryuji Miyamoto	Member of the Board of Directors Senior Vice President Deputy Director of Corporate Planning & Administration Unit		
Masanori Minamide	Member of the Board of Directors Senior Vice President Director of Accounting, Finance & Corporate Planning Group, Corporate Planning & Administration Unit		
Hiroaki Yoshihara	Member of the Board of Directors	Hitachi, Ltd.	Outside Director
		HOYA CORPORATION	Outside Director
Takashi Shigematsu	Member of the Board of Directors	Bando Chemical Industries, Ltd.	Outside Director
		Ashimori Industry Co., Ltd.	Outside Director
Takatoshi Yamamoto	Member of the Board of Directors	Hitachi, Ltd.	Outside Director
		Tokyo Electron Ltd.	Outside Audit & Supervisory Board Member
Yoshiro Ozawa	Member of the Board of Directors Audit and Supervisory Committee Member (Standing)		
Hiroshi Ueno	Member of the Board of Directors Audit and Supervisory Committee Member	Osaka Shinkin Bank	Part-time Director
Hyo Kambayashi	Member of the Board of Directors Audit and Supervisory Committee Member	Protiviti LLC Sojitz Corporation	Chairman and Senior Managing Director Outside Corporate Auditor
Yuko Yasuda	Member of the Board of Directors Audit and Supervisory Committee Member	Russell Reynolds Associates Japan Inc. Idemitsu Kosan Co., Ltd.	Managing Director Outside Director

- (Notes)
- Members of the Board of Directors Hiroaki Yoshihara, Takashi Shigematsu and Takatoshi Yamamoto, and Members of the Board of Directors and Audit and Supervisory Committee Members Hiroshi Ueno and Hyo Kambayashi and Yuko Yasuda are Outside Directors as stipulated by Article 2, Paragraph (15) of the Companies Act.
  - Member of the Board of Directors and Audit and Supervisory Committee Member Yoshiro Ozawa has experience in finance and accounting operations at the Company, and possesses adequate insight into the fields of finance and accounting.  
Member of the Board of Directors and Audit and Supervisory Committee Member Hiroshi Ueno has experience

in important positions at the Ministry of Finance and the National Tax Agency, and possesses adequate insight into the fields of finance and accounting.

Member of the Board of Directors and Audit and Supervisory Committee Member Hyo Kambayashi is a certified public accountant, and possesses adequate insight into the fields of finance and accounting.

3. Member of the Board of Directors and Audit and Supervisory Committee Member Yoshiro Ozawa is a Standing Audit and Supervisory Committee Member.

The Company designates a Standing Audit and Supervisory Committee Member to improve the effectiveness of audits and supervision of the Audit and Supervisory Committee through collecting information by attending important internal meetings on a daily basis and deep cooperation with the Independent Auditor and Internal Audit Department, etc.

4. There are no special interests between the Company Group and companies, etc. at which Members of the Board of Directors Hiroaki Yoshihara, Takashi Shigematsu and Takatoshi Yamamoto, and Members of the Board of Directors and Audit and Supervisory Committee Members Hiroshi Ueno and Hyo Kambayashi and Yuko Yasuda hold concurrent positions.

5. The Company has designated Members of the Board of Directors Hiroaki Yoshihara, Takashi Shigematsu and Takatoshi Yamamoto, and Members of the Board of Directors and Audit and Supervisory Committee Members Hiroshi Ueno and Hyo Kambayashi and Yuko Yasuda as Independent Directors/Auditors as specified in the regulations of the Tokyo Stock Exchange and notified the exchange accordingly.

6. The Company has a total of 25 Vice Presidents. Aside from Members of the Board of Directors above that hold concurrent positions as Vice Presidents, the Company has 19 other Vice Presidents.

7. Changes in Members of the Board of Directors during the fiscal year under review are as follows.

At the conclusion of the 83rd Ordinary General Meeting of Shareholders held on June 27, 2019, Member of the Board of Directors Yoshitaka Fujita retired from his position owing to the expiration of his term of office.

At the 83rd Ordinary General Meeting of Shareholders held on June 27, 2019, Ryuji Miyamoto, Masanori Minamide and Takatoshi Yamamoto were each newly elected and appointed as Members of the Board of Directors.

8. Changes in significant concurrent positions of Members of the Board of Directors during the fiscal year under review are as follows.

Member of the Board of Directors Yoshito Takemura was appointed as President of Murata (China) Investment Co., Ltd. on July 1, 2019.

Member of the Board of Directors Takashi Shigematsu was appointed as Outside Director of Ashimori Industry Co., Ltd. on June 21, 2019.

Member of the Board of Directors and Audit and Supervisory Committee Member Hyo Kambayashi retired from his position as Chairman of Japan Internal Control Research Association on September 15, 2019.

In line with the business integration of Idemitsu Kosan Co., Ltd. and Showa Shell Sekiyu K. K., effective April 1, 2019, Member of the Board of Directors and Audit and Supervisory Committee Member Yuko Yasuda retired from her position as Outside Director of Showa Shell Sekiyu K. K. on March 31, 2019, and was appointed as Outside Director of Idemitsu Kosan Co., Ltd. on April 1, 2019.

(2) Summary of liability limitation agreements

The Company has entered into liability limitation agreements with Members of the Board of Directors (excluding those who are the executive officers) to restrict liabilities for damages as stipulated by Article 423, Paragraph (1) of the Companies Act based on the provisions of Article 427, Paragraph (1) of the Companies Act. The liability limit under these agreements is the minimum liability amount stipulated in Article 425, Paragraph (1) of the Companies Act.

(3) Compensation, etc., of Members of the Board of Directors and Audit and Supervisory Committee Members

1) Total compensation, etc. by category, total compensation by type and number of eligible Directors

Category	Total amount of compensation, etc. (Millions of yen)	Total amount per type of compensation, etc. (Millions of yen)			Persons
		Monthly remuneration	Bonus	Share-based remuneration	
Members of the Board of Directors (excluding those who are Audit and Supervisory Committee Members)	480	310	99	71	11
Members of the Board of Directors who are Audit and Supervisory Committee Members	73	73	–	–	4

- (Notes)
1. The above number includes one Member of the Board of Directors who is not an Audit and Supervisory Committee Member who retired during the fiscal year ended March 31, 2020.
  2. Out of the total shown above, total compensation, etc., provided to six Outside Directors, is 86 million yen.
  3. The amount of compensation, etc. for Members of the Board of Directors (excluding those who are Audit and Supervisory Committee Members) does not include employee salaries provided to Members of the Board of Directors concurrently serving as employees.
  4. The maximum amount of compensation (per annum) is 700 million yen (resolved at the Ordinary General Meeting of Shareholders in June 2016) for Members of the Board of Directors (excluding those who are Audit and Supervisory Committee Members). However, this does not include employee salaries and bonuses provided to Members of the Board of Directors concurrently serving as Vice Presidents. The maximum amount of compensation (per annum) for the restricted share remuneration is 300 million yen (resolved at the Ordinary General Meeting of Shareholders in June 2017).
  5. The maximum amount of compensation (per annum) is 100 million yen for Members of the Board of Directors who are Audit and Supervisory Committee Members (resolved at the Ordinary General Meeting of Shareholders in June 2016).

2) Total compensation, etc. of persons whose total compensation, etc. is more than 100 million yen

Name (Category)	Company category	Total amount per type of compensation, etc. (Millions of yen)			Total amount of compensation, etc. (Millions of yen)
		Monthly remuneration	Bonus	Share-based remuneration	
Tsuneo Murata (Member of the Board of Directors)	Reporting company	72	31	20	123

## **[Policy on Member of the Board of Directors Remuneration]**

To improve corporate governance and to enhance objectivity and transparency, for the decision making process for matters related to the remuneration of Members of the Board of Directors, the Company has established a Remuneration Advisory Committee, consisting of four (4) Members of the Board of Directors of which two (2) are Outside Directors, and the decision is made at the Board of Directors meeting upon receiving report from that committee.

With respect to remuneration for Members of the Board of Directors, the Company makes it a basic policy to provide a system and level of remuneration that is considered suitable for executive-level managers of a globally competitive electronic equipment and component manufacturer in order to ensure recruitment of human talent considered to be excellent based on a comparison with same-industry competitors, to raise the morale and motivation to improve financial results and to contribute to the maximization of corporate value.

Remuneration for Members of the Board of Directors who are not Audit and Supervisory Committee Members is made up of (i) monthly remuneration, (ii) bonus with the aim of giving a short-term incentive, and (iii) share-based remuneration with the aim of making them further share values with our shareholders by giving a medium- to long-term incentive.

- (i) Monthly remuneration: The monthly remuneration is a fixed remuneration of an amount individually decided for each Member of the Board of Directors based on a fixed amount for service as a Member of the Board of Directors, and an amount that is decided based on consideration of the level of importance of each Member of the Board of Directors' business execution allocation and responsibility and the previous fiscal year's financial performance.
- (ii) Bonus: The total amount of bonus is decided according to the Company's financial performance, and the amount allocated to each Member of the Board of Directors is decided by giving consideration to the level of contribution to financial performance of each individual. The important indicator used as a standard for bonus calculation is consolidated operating income per person taking capital cost into account, which measures the growth and productivity increase of the corporation. The bonus calculation is not premised on a set target value, but is calculated by multiplying a reference amount for each position by a coefficient based on actual performance.
- (iii) Share-based remuneration: Restricted share remuneration is introduced to improve corporate value in the medium to long term. The share-based remuneration is set by position of each Member of the Board of Directors. It reflects their individual performance evaluations.

The remuneration paid to Outside Directors who are not Audit and Supervisory Committee Members and to Members of the Board of Directors who are Audit and Supervisory Committee Members is only monthly remuneration. The amount paid to Members of the Board of Directors who are Audit and Supervisory Committee Members is decided as a fixed individual remuneration through discussion by the Members of the Board of Directors who are Audit and Supervisory Committee Members.

(4) Key activities of Outside Directors

Category	Name	Attendance at meetings of the Board of Directors	Attendance at meetings of the Audit and Supervisory Committee	Key activities
Outside Directors	Hiroaki Yoshihara	11/11	—	Hiroaki Yoshihara made comments on overall management based on his extensive insight as an accounting specialist, and abundant experience in global corporate management and consulting for global companies, etc.
	Takashi Shigematsu	11/11	—	Takashi Shigematsu made comments on overall management based on his insight into the automotive industry and abundant experience as a corporate manager.
	Takatoshi Yamamoto	9/9	—	Takatoshi Yamamoto made comments on overall management based on his insight into corporate analysis of companies in Japan and overseas as a securities analyst, particularly in regard to the electronics industry, and abundant experience related to global corporate management.
Outside Directors who are Audit and Supervisory Committee Members	Hiroshi Ueno	11/11	10/10	Hiroshi Ueno made comments on overall management based on his insight and abundant experience as a specialist mainly in government administration of such fields as tax and finance, as well as the Antimonopoly Act.
	Hyo Kambayashi	11/11	10/10	Hyo Kambayashi made comments on overall management based on his insight as a certified public accountant and a specialist of internal controls and risk management, as well as his abundant experience as a corporate manager.
	Yuko Yasuda	10/11	9/10	Yuko Yasuda made comments on overall management based on her insight into and abundant experience in the fields of executive personnel assessment, development, and corporate governance.

(Note) Takatoshi Yamamoto was elected at the 83rd Ordinary General Meeting of Shareholders held on June 27, 2019, and therefore the number of times that meetings of the Board of Directors were held differs from other Outside Directors. Furthermore, nine (9) meetings of the Board of Directors were held after the appointment of Takatoshi Yamamoto.

#### 4. Matters Concerning the Independent Auditor

(1) Name of Independent Auditor

Deloitte Touche Tohmatsu LLC

(2) Independent Auditor Compensation, etc., for the fiscal year under review

	Category	Amount of compensation, etc.
(1)	Compensation, etc., as Independent Auditor	Millions of yen 221
(2)	Total amount of cash and other beneficial property payable by the Company and its subsidiaries	241

- (Notes)
1. The Audit and Supervisory Committee has given its consent to the amount of compensation, etc. for the Independent Auditor for the fiscal year under review upon receiving explanation on quotation of compensation from the Independent Auditor and internal related departments, and conducting necessary verification on the content of the Independent Auditor's audit plans, the performance status of its accounting audit duties, and whether the calculation basis, etc. of quotation of compensation is appropriate.
  2. In the audit agreement between the Company and the Independent Auditor, audits based on the Companies Act and audits based on the Financial Instruments and Exchange Act are not distinguished, and as they are not distinguishable in practice, the amount in (1) is the total of these amounts.
  3. Other than operations stipulated in Article 2, Paragraph (1) of the Certified Public Accountants Act, the Company makes payment to the Independent Auditor for advisory operations on accounting operations.
  4. Of the Company's significant subsidiaries, Murata Electronics North America, Inc., Murata Company Limited, Murata (China) Investment Co., Ltd., Murata Electronics Trading (Shanghai) Co., Ltd., Wuxi Murata Electronics Co., Ltd., Shenzhen Murata Technology Co., Ltd., Murata Energy Device Wuxi Co., Ltd., Foshan Murata Minmetals Materials Co., Ltd., Murata Electronics Europe B.V., Korea Murata Electronics Company, Limited, Philippine Manufacturing Co. of Murata, Inc., and Murata Electronics Singapore (Pte.) Ltd. are audited (as defined by the Companies Act or the Financial Instruments and Exchange Act [including corresponding foreign laws and regulations]) by certified public accountants or Independent Auditors (including parties that hold corresponding foreign certifications) other than the Independent Auditor serving the Company.

(3) Policy for dismissal or nonrenewal of the Independent Auditor

If the Audit and Supervisory Committee determines that the any of the items in Article 340, Paragraph (1) of the Companies Act applies to the Independent Auditor and that dismissal is appropriate, the Independent Auditor shall be dismissed upon unanimous approval of the Audit and Supervisory Committee.

Additionally, if the Audit and Supervisory Committee determines that the Independent Auditor cannot appropriately fulfill its duties, the Audit and Supervisory Committee shall determine the content of a proposal to be submitted to a General Meeting of Shareholders regarding the dismissal or nonrenewal for the Independent Auditor.

## Systems to Secure the Appropriateness of Company Operations

The Company's Board of Directors has defined a basic policy regarding the maintenance of a system to secure the appropriateness of company operations (internal control system), as shown below. Based on this, the Company works to appropriately maintain and operate the internal control system.

### [Systems to Secure the Appropriateness of Company Operations]

- (1) System to secure compatibility between execution of duties of Members of the Board of Directors and employees with laws and regulations and the Articles of Incorporation
  - 1) The Company shall appoint Outside Directors to strengthen operational execution decisions of the Board of Directors and monitoring functions of business execution by Members of the Board of Directors.
  - 2) The Company shall establish an organizational committee to evaluate the maintenance and operational conditions of the internal control system, and work to maintain and continuously improve the internal control system.
  - 3) In order to fulfill corporate social responsibilities (CSR), the Company shall establish an organizational committee which manages activities regarding CSR areas such as compliance, risk management, and environment, etc., and promote CSR management of the Company Group continuously and systematically.
  - 4) The Company shall establish an organization responsible for promotion of CSR activities. This organization will work in tandem with organizational committees related to CSR, and act as a central group to spread CSR within the Company and handle issues with the outside of the Company.
  - 5) In order for Members of the Board of Directors, Vice Presidents, and employees to adhere to laws and regulations and the Articles of Incorporation, and conduct business activities based on higher ethical standards, the Company shall define and work to spread Corporate Ethics Policy and Code of Conduct and regulations regarding compliance.
  - 6) In order to appropriately deal with issues related to compliance, the Company shall establish a reporting hotline within and outside of the Company, and ensure that measures are in place such that there is no detriment to reporters.
  - 7) The Company shall clearly define within its Corporate Ethics Policy and Code of Conduct to firmly refuse correspondence and contact with anti-social activities and organizations and to not resolve unreasonable requests received from anti-social forces via the use of cash, etc., and will appropriately deal with such events based on the policy and the code.
  - 8) The Company shall establish an independent internal auditing department to evaluate and monitor the effectiveness of the internal control system.
- (2) System to store and manage information regarding the execution of duties by Members of the Board of Directors
  - 1) Minutes and group approval documents of the Board of Directors and other important documents concerning the execution of duties by Members of the Board of Directors shall be stored based upon internal regulations of the Company, and shall be suitably made available for viewing by Members of the Board of Directors.
  - 2) Basic items regarding storing and managing documents shall be defined within the internal regulations of the Company, and documents contained in the above item shall be appropriately stored and managed.
  - 3) A meeting structure shall be established to deliberate the necessity and content of timely disclosure of company information, and company information shall be disclosed in a timely and appropriate manner.
- (3) Regulations and other systems regarding management of risks of loss
  - 1) Regulations shall be defined regarding risk management, and the division that supervises each business function shall conduct risk management.
  - 2) Deliberations regarding the Company Group's risk management structure and operational status shall be conducted at an organizational committee. Additionally, evaluations will be made regarding countermeasures against significant risks, driving forward the activities of the Company Group.

- (4) System to secure efficient execution of duties by Members of the Board of Directors
  - 1) The Company shall formulate long and medium term policies and based on such long and medium term policies formulate yearly policies, budgets, and action plans, and manage the progress and confirm status of the achievement.
  - 2) The Company shall implement a Vice President system, and by separating decision making for management policies and important business execution with daily business execution, strengthen monitoring functions and business execution functions.
  - 3) To conduct appropriate decision making, approval regarding matters that are defined in the internal regulations of the Company shall be conducted via group approval procedures utilizing information technology (IT), through deliberation by concerned Members of the Board of Directors, Vice Presidents, and significant employees.
  - 4) As a deliberation body to supplement decision making by the Board of Directors and Representative Directors, the Company shall establish the Management Executive Committee composed of executive Members of the Board of Directors and Members of the Board of Directors who concurrently serve as Vice Presidents. The Management Executive Committee shall receive reports and deliberate on matters that are defined in the internal regulations of the Company.
  - 5) Various information regarding the status of business execution shall be provided to concerned Members of the Board of Directors, Vice Presidents, and employees periodically or as required, and a system to share information shall be established via the use of IT.
  
- (5) System to secure appropriate business in the Company Group, composed of the Company and its subsidiaries
  - 1) The Company Group shall share corporate policy that acts as a fundamental management policy, in addition to strictly enforcing and sharing Corporate Ethics Policy and Code of Conduct, and regulations regarding compliance.
  - 2) The Company Group shall establish regulations and procedures regarding decision making. Based on these, deliberations will be made with subsidiaries regarding the business operations of subsidiaries, in addition to sharing various information regarding business operations of the Company Group.
  - 3) Divisions that supervise the various business functions of the Company shall define frameworks, processing procedures, and judgment standards for duties to ensure that duties within the Company Group are performed appropriately and efficiently, in addition to providing appropriate direction to subsidiaries as required.
  - 4) The Internal Audit Department shall evaluate and monitor whether or not duties within the Company Group are conducted appropriately and efficiently, adhering to laws and regulations and the internal regulations, etc. of the Company.
  - 5) Members of the Board of Directors, Vice Presidents, and employees of subsidiaries shall report to the Company matters defined in items 2) through 4) above, and other items regarding the execution of duties.
  - 6) The Company shall direct each subsidiary to establish and operate internal control systems that are appropriate for the content and scale of each business.
  
- (6) Matters regarding Members of the Board of Directors and employees who assist the duties of the Audit and Supervisory Committee, matters regarding the independence of these employees from Members of the Board of Directors who are executive officers, and matters regarding securing the ability to execute orders given to these employees
  - 1) The Company shall station an appropriate number of dedicated employees to assist the duties of Audit and Supervisory Committee.
  - 2) These employees shall not receive supervision or orders from Members of the Board of Directors who are executive officers. Additionally, for matters regarding human resources of these employees, Members of the Board of Directors who are executive officers must consult with and obtain permission from the Audit and Supervisory Committee.

- (7) System for reporting to the Audit and Supervisory Committee and system to ensure that parties that report to the Audit and Supervisory Committee do not receive detrimental treatment as a result of reporting
- 1) Members of the Board of Directors who are executive officers, Vice Presidents, and employees shall submit to the Audit and Supervisory Committee minutes and materials from Management Executive Committee, etc., group approval documents of the Company Group, and periodic reports of business reports, etc., and also report on facts that may conflict with the Corporate Ethics Policy and Code of Conduct, status of risks and risk management, status and content of reports to the internal reporting hotline, and audit results of external public institutions.
  - 2) In the event that facts are discovered regarding the business execution of the Company Group that conflict with laws and regulations, the Articles of Incorporation, Corporate Ethics Policy and Code of Conduct, or other internal regulations of the Company, or may cause significant harm to the Company Group, Members of the Board of Directors who are executive officers, Vice Presidents, and employees shall immediately report to the Audit and Supervisory Committee.
  - 3) In the event that facts are discovered regarding the business execution of the Company Group that conflict with laws and regulations, the Articles of Incorporation, Corporate Ethics Policy and Code of Conduct, or other internal regulations of the Company, or may cause significant harm to the Company Group, Members of the Board of Directors, Statutory Auditors, Vice Presidents, and employees of subsidiaries or parties that received such reports from the Members of the Board of Directors, Statutory Auditors, Vice Presidents, and employees of subsidiaries shall report to the Audit and Supervisory Committee.
  - 4) Apart from the previous items, if requested by the Audit and Supervisory Committee, Members of the Board of Directors who are executive officers, Vice Presidents, and employees shall submit requested documents, etc., or report as required.
  - 5) Regarding the previous items, the Company shall not give detrimental treatment to reporters as a result of reporting.
- (8) Other systems to secure the effectiveness of audits by the Audit and Supervisory Committee
- 1) Members of the Board of Directors who are executive officers shall maintain an environment that allows for Audit and Supervisory Committee Members designated by the Audit and Supervisory Committee to attend important meetings.
  - 2) Members of the Board of Directors who are executive officers and employees shall conform to the “Audit Plan” as formulated on a yearly basis by the Audit and Supervisory Committee, and cooperate to allow for effective audits.
  - 3) Members of the Board of Directors who are executive officers and employees shall cooperate with and fulfill the requests of the Audit and Supervisory Committee in the event that evaluation hearings are required with attorneys-at-law or the Independent Auditor.
  - 4) Fees, etc., incurred as a result of the execution of duties by Audit and Supervisory Committee Members shall be borne by the Company.
  - 5) Members of the Board of Directors who are executive officers and employees shall cooperate with and fulfill the requests of the Audit and Supervisory Committee during the course of cooperation between the Audit and Supervisory Committee and the Independent Auditor.
  - 6) The Internal Audit Department shall work to cooperate with the Audit and Supervisory Committee as requested.
  - 7) Representative Directors, etc., shall work to exchange information with the Audit and Supervisory Committee.

[Operational Conditions of Systems to Secure the Appropriateness of Company Operations]

- (1) System to secure compatibility between business execution of Members of the Board of Directors and employees with laws and regulations and the Articles of Incorporation
  - Based on internal regulations such as “Regulations of the Board of Directors,” the Board of Directors conducts monitoring of decision making of management policies and important business executions as well as the execution of duties of Members of the Board of Directors.
  - “Independent Outside Director Appointment Standards” have been established. Based on the standards, a number of Outside Directors are elected and they are giving their opinions based on their specialized views and abundant experience in the meeting of the Board of Directors and conducting vigorous discussions.
  - An Internal Control Committee has been established to develop the internal control system, evaluate and investigate operational conditions, and periodically report such content to the Board of Directors.
  - “Compliance Promotion Committee,” “Risk Management Committee,” “Environmental Committee,” “Global Warming Prevention Special Committee,” and “Social & Community Contributions Committee” have been established, as well as a “CSR Management Committee” that acts as a controlling committee. A dedicated organization responsible for promoting CSR activities has also been established.
  - Compliance-related regulations are formulated such as “Compliance Program Regulations” and “Corporate Ethics Policy and Code of Conduct,” and through measures such as selecting compliance promotion leaders in each division, an appropriate compliance system is maintained and continued while actions for further improvement are also taken. Also, regarding the Compliance Promotion Committee, the status of its activities and others are periodically reported to the Board of Directors.
  - The Company has established a reporting hotline both within and outside of the Company that receives anonymous, pseudonymous, and identifiable reports. A systematic approach is taken with regards to the treatment of reporters so that they are not subject to detrimental treatment and efforts are taken toward appropriate responses.
  - A response manual regarding anti-social forces is distributed to all offices and related companies.
  - Through establishing an Internal Audit Department independent from executive divisions and implementing third-party assessment regarding the effectiveness of internal control systems at the department, the Company works to enhance transparency and effectiveness of operations.
  
- (2) System to store and manage information regarding the execution of duties by Members of the Board of Directors
  - Based on internal regulations such as “Regulations on Document Storage and Preservation Management,” efforts are being made to construct a system to appropriately store and manage information. Also, “Information Security Management Regulations” and others have been established and a commitment has been made to educating employees and others in an effort toward thoroughly appropriate information management.
  - Regarding important decisions, an “Information Disclosure Committee” was established and creates a system to deliberate on the necessity of disclosing individual items and the content of disclosure in an effort toward realizing timely and appropriate disclosure.
  
- (3) Regulations and other systems regarding management of risks of loss
  - In addition to developing internal regulations such as “Risk Management Basic Regulations,” each department responsible for each business functions periodically surveys and evaluates the existence, content, etc., of risks across the Company and reports these to the Risk Management Committee. Regarding individual risks received in these reports, the Risk Management Committee deliberates on countermeasures and verifies the state of implementation of those measures.
  
- (4) System to secure efficient execution of duties by Members of the Board of Directors
  - A Mid-term Direction (three years) has been formulated and progress reports are periodically given at the Board of Directors. Yearly policies are decided by the Board of Directors and are then shared within the Company.
  - By implementing a Vice President system and having Vice Presidents conduct daily business execution, the Company aims to realize efficient decision making.
  - Regarding decision making in the Company and the Company Group, a group approval system has been established that is used to carry out decision making. A dedicated information system is also used to not only realize efficient deliberations, but also to record both the results and progress of decision making to visualize the process.

- The Management Executive Committee deliberates on management items provided by internal regulations such as important management policies, plans, business execution, etc., and also receives reports on the status of policies and budgets, evaluates them, and works on their improvement.
  - The Board of Directors periodically receives reports on the status of business execution and also a dedicated information system allows related Members of the Board of Directors, Vice Presidents, and employees to share periodic reports and others.
- (5) System to secure appropriate business in the Company Group, composed of the Company and its subsidiaries
- Efforts are made to share the management policy including the corporate policy by posting them on the Intranet site as well as in internal company reports, and measures such as incorporating them in the education system. Additionally, similar efforts to spread awareness of Corporate Ethics Policy and Code of Conduct are being taken.
  - As stated earlier, a group approval system has been established in both the Company and the Company Group. The Company also gives advice and approval on certain matters for decisions by subsidiaries.
  - Divisions that supervise each function of the Company maintain regulations so that operations within the Company Group are carried out in a standardized, efficient, and appropriate manner and appropriately guide operations and other measures taken in the course of operations.
  - The Internal Audit Department evaluates and monitors the Company and the Company Group regarding the effectiveness and efficiency of operations, the credibility of financial statements, the development status of important compliance items, and the status of operations, and works to increase transparency and effectiveness. Additionally, proposals are implemented through internal control evaluations of operation process levels.
- (6) Matters regarding Members of the Board of Directors and employees who assist the duties of the Audit and Supervisory Committee, matters regarding the independence of these employees from Members of the Board of Directors who are executive officers, and matters regarding securing the ability to execute orders given to these employees
- The Company has stationed an appropriate number of dedicated employees to assist the duties of the Audit and Supervisory Committee.
  - These employees receive direction regarding their duties directly from Standing Audit and Supervisory Committee Members, and the appointment, transfer, and other personnel evaluations of these employees are made by Members of the Board of Directors who are executive officers receiving consent upon discussion with the Audit and Supervisory Committee.
- (7) System for reporting to the Audit and Supervisory Committee and system to ensure that parties that report to the Audit and Supervisory Committee do not receive detrimental treatment as a result of reporting
- Minutes and materials from the Management Executive Committee, etc., group approval documents, and periodic business reports are available for inspection as necessary by Standing Audit and Supervisory Committee Members. Additionally, a system is in place where Standing Audit and Supervisory Committee Members may attend meeting bodies such as the Management Executive Committee, CSR Management Committee, Internal Control Committee, Information Disclosure Committee, Compliance Promotion Committee, and Risk Management Committee at any time, and their minutes, audit results from internal and external bodies, and others are delivered and reported to Standing Audit and Supervisory Committee Members. Furthermore, documents, information, etc., requested by the Audit and Supervisory Committee are individually submitted and reported.
  - In the event that Members of the Board of Directors who are executive officers, Vice Presidents, and employees of the Company, as well as Members of the Board of Directors, Statutory Auditors, Vice Presidents, and employees of subsidiaries of the Company discover facts regarding the business execution of the Company Group that conflict with laws and regulations, the Articles of Incorporation, Corporate Ethics Policy and Code of Conduct, or other internal regulations, or that may cause significant harm to the Company Group, a system where such reports can be made to the Audit and Supervisory Committee is developed, and reporters are not given detrimental treatment as a result of reporting. Furthermore, a hotline allowing for direct reports and consultations with Standing Audit and Supervisory Committee Members has been established as a reporting and consultation hotline for compliance violations.
- (8) Other systems to secure the effectiveness of audits by the Audit and Supervisory Committee
- As noted above, Standing Audit and Supervisory Committee Members are allowed to attend important meetings such as the Management Executive Committee.

- Audit plans formulated by the Audit and Supervisory Committee are reported to the Board of Directors and shared with Members of the Board of Directors. Members of the Board of Directors actively cooperate with audits by the Audit and Supervisory Committee and hearings from attorneys-at-law and the Independent Auditor.
- The Company secures budgets necessary for the execution of duties by Audit and Supervisory Committee Members and bears fees, etc., actually incurred as a result of the execution of duties by Audit and Supervisory Committee Members.
- The Audit and Supervisory Committee, the Independent Auditor, and the Internal Audit Department periodically meet, and a sufficient level of cooperation is realized.
- Representative Directors are sharing the status and results of the Audit and Supervisory Committee's audits in the meeting with the Audit and Supervisory Committee on a regular basis and actively exchanging opinions.



## Consolidated Statements of Income

( From April 1, 2019  
to March 31, 2020 )

(Millions of yen)

Item	Amount	
Net sales		1,534,045
Operating expenses		
Cost of sales	952,583	
Selling, general and administrative expenses	229,587	
Research and development expenses	102,486	
Impairment losses on goodwill	3,934	1,288,590
Other operating income		7,792
Operating income		253,247
Other income		
Interest and dividend income	4,017	
Interest expense	(512)	
Foreign currency exchange loss	(3,614)	
Other - net	894	785
Income before income taxes		254,032
Income taxes		
Current income tax	69,127	
Deferred income tax	1,923	71,050
Net income		182,982
Net income attributable to noncontrolling interests		(30)
Net income attributable to Murata Corporation		183,012

## Consolidated Statements of Shareholders' Equity

( From April 1, 2019  
to March 31, 2020 )

(Shares, millions of yen)

Item	Number of common shares issued						Controlling interests	Non-controlling interests	Total equity
		Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive loss	Treasury stock			
Balance at March 31, 2019	675,814,281	69,444	120,702	1,493,697	(26,273)	(53,594)	1,603,976	564	1,604,540
Purchases of treasury stock at cost						(12)	(12)		(12)
Disposal of treasury stock			1			0	1		1
Net income				183,012			183,012	(30)	182,982
Cash dividends				(59,926)			(59,926)	(9)	(59,935)
Other comprehensive loss, net of tax					(33,062)		(33,062)	(58)	(33,120)
Restricted share remuneration			92			43	135		135
Equity transaction with noncontrolling interests and other			(20)				(20)	236	216
Balance at March 31, 2020	675,814,281	69,444	120,775	1,616,783	(59,335)	(53,563)	1,694,104	703	1,694,807

(Note) The Company implemented a three-for-one common stock split, effective April 1, 2019. The number of common shares issued was calculated on the assumption that the relevant stock split had been implemented on March 31, 2019.

## Notes to the Consolidated Financial Statements

(Basis of preparation of Consolidated Financial Statements)

### 1. Scope of consolidation and application of the equity method

#### 1) Number of consolidated subsidiaries: 89

Major consolidated subsidiaries:

Fukui Murata Manufacturing Co., Ltd.

Izumo Murata Manufacturing Co., Ltd.

Kanazawa Murata Manufacturing Co., Ltd.

Toyama Murata Manufacturing Co., Ltd.

Okayama Murata Manufacturing Co., Ltd.

Komoro Murata Manufacturing CO., Ltd

Tohoku Murata Manufacturing Co., Ltd.

Murata Electronics North America, Inc.

Murata Company Limited

Murata (China) Investment Co., Ltd.

Murata Electronics Trading (Shanghai) Co., Ltd.

Wuxi Murata Electronics Co., Ltd.

Shenzhen Murata Technology Co., Ltd.

Korea Murata Electronics Company, Limited

Murata Energy Device Wuxi Co., Ltd.

Murata Electronics Europe B.V.

Philippine Manufacturing Co. of Murata, Inc.

Foshan Murata Minmetals Materials Co., Ltd.

Murata Electronics Singapore (Pte.) Ltd, and others

#### 2) Number of unconsolidated subsidiaries

None (Companies accounted for by equity method      None)

#### 3) Number of affiliated companies

1 (Companies accounted for by equity method      1)

### 2. Changes in scope of consolidation and application of the equity method

(Consolidated subsidiaries)

2 companies were newly consolidated.

4 companies were excluded from consolidation.

Murata Energy Device Singapore Pte. Ltd.

Murata Electronics Co., Ltd, and others

### 3. Significant accounting policies

#### (1) Standards for preparation of consolidated financial statements

The consolidated financial statements of the Company, pursuant to the regulations of Article 120-3, Paragraph (1) of the Company Accounting Ordinance, are prepared in accordance with terminology, style, and preparation method based on generally accepted corporate accounting standards in the United States of America (hereinafter "US Accounting Principles"). However, based on regulations in the latter segment of the Article 120, Paragraph (1) of the said Ordinance by applying Paragraph (3) of Article 120-3 mutatis mutandis, a portion of content and notes required by US Accounting Principles are omitted.

#### (2) Inventories

Inventories are stated at the lower of cost, which is determined principally by the average cost method, or market.

(3) Marketable securities and investments

Under ASC320 “Investments – Debt Securities,” ASC321 “Investments - Equity Securities,” and ASC825 “Financial Instruments” in the Statement of Financial Accounting Standards of the Financial Accounting Standards Board (FASB), the Company Group classifies debt securities as available-for-sale and carries them at fair value with a corresponding recognition of the net unrealized holding gain or loss (net of tax) as a separate component of shareholders’ equity, except investments whose unrealized holding gain and loss is recorded as net income by electing the fair value option. In addition, equity securities (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) are measured at fair value, with any gains or losses recorded in net income. Nonmarketable equity securities whose fair value cannot be reliably determined are measured at cost after impairment, adjusted for observable changes in the price of orderly transactions for the same or similar investments by the same issuer. Gains and losses on sales of investments are computed on an average cost basis.

(4) Depreciation of property, plant and equipment    Straight-line method

(5) Goodwill and other intangible assets

The Company Group accounts for goodwill and other intangible assets in accordance with ASC350 “Intangibles - Goodwill and Other.” In accordance with this statement, goodwill is not amortized and is instead tested at least annually for impairment. Intangible assets that have finite useful lives will continue to be amortized over their useful lives. Also, this statement requires that an intangible asset that is determined to have an indefinite useful life is not amortized but is instead tested for impairment until its useful life is determined to be no longer indefinite.

In January 2017, the FASB issued Accounting Standards Update (ASU) No. 2017-04, “Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment.” The update eliminates Step 2 of the current goodwill impairment test, under which a goodwill impairment loss is measured by comparing the implied fair value of a reporting unit’s goodwill with the carrying amount of that goodwill. The new guidance requires that goodwill impairment loss be recognized for any excess of a reporting unit’s carrying amount over its fair value. The Company Group has adopted this update early since the fiscal year ended March 31, 2018 and will use the new standards prospectively towards the future.

(6) Termination and retirement benefits

To provide for retirement benefits to employees, the Company Group records benefits based on the estimated present value of the projected benefit obligation and the fair value of plan assets at the end of the fiscal year under review, in accordance with ASC715 “Compensation - Retirement benefits.” The overfunded or underfunded status of a defined benefit postretirement plan is recognized as an asset or liability in its statement of financial position, with an adjustment to accumulated other comprehensive income or loss.

The unrecognized prior service expenses due to certain plan amendments is being amortized on a straight-line basis over the average remaining service period of employees.

The unrecognized actuarial gains and losses in excess of ten percent of the larger of the projected benefit obligation or plan assets are being amortized over five years.

(7) Revenue recognition

The Company Group adopted ASC606 “Revenue from Contracts with Customers.” The Company Group recognizes revenue based on the following five-step:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when the entity satisfies a performance obligation

The Company Group conducts sales of electronic items, including Components (Capacitors, Piezoelectric Components, etc.) and Modules, and related products. With regard to the sales of products, the Company Group recognizes revenue at the time of delivery of a product since it considers that the customer obtains control over the product and performance obligations are satisfied at the time of delivery of the product. In addition, revenue is recognized at the amount of consideration promised in the contract with the customer less discounts, rebates, returned goods, etc.

(8) Consumption taxes are separately accounted for, and are excluded from the amounts of the underlying income and expense transactions.

(Notes to changes in accounting policies)

#### Leases

In February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02, "Leases." The ASU requires a lessee to recognize most leases in the consolidated balance sheet. However, guidance over expense recognition in the consolidated statements of income under this ASU is similar to the previous guidance. The Company Group adopted the ASU from the fiscal year under review. The Company Group applied the package of practical expedients which allows a lessee not to reassess whether any existing contracts at or expired contracts prior to the adoption date are or contain leases, lease classification and whether initial direct costs qualify for capitalization in addition to short-term lease exception. The Company Group also adopted a transition method in which no restatement of comparative periods and no reassessment of land easements not previously accounted for as a lease that exist at or expired prior to the adoption date are required. The right-of-use assets recognized at April 1, 2019 were 34,944 million yen, almost the same as the lease obligations, and are included in noncurrent assets and liabilities in the consolidated balance sheet.

(Note to Consolidated Balance Sheet)

Amounts of less than one million yen are shown rounded to the nearest million yen.

(Marketable securities and investment securities)

The cost and amortized cost, gross unrealized gains, gross unrealized losses and fair value for debt securities classified as available-for-sale securities by major security type are as follows.

(Millions of yen)

Type	Cost and amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Private debt securities	50,788	36	124	50,700

Maturity dates of debt securities classified as available-for-sale securities are as follows.

(Millions of yen)

Maturity date	Amount
Within 1 year	29,554
Over 1 year, within 5 years	21,146
Over 5 years	-
Total	50,700

As no debt securities classified as available-for-sale securities were sold, there are no realized gains or realized losses.

Realized gains (losses) and unrealized gains (losses) for equity securities included in investments on the consolidated balance sheet are as follows.

(Millions of yen)

	Amount
Total gains (losses) in the fiscal year under review	(3,993)
Realized gains (losses) from the sale of equity securities in the fiscal year under review	3
Impairment of equity securities	(928)
Unrealized gains (losses) on equity securities	(3,068)

The Company Group measures nonmarketable equity securities whose fair value cannot be reliably determined at cost after impairment, adjusted for observable changes in the price of orderly transactions for the same or similar investments by the same issuer. The carrying amount of such nonmarketable equity securities was 3,336 million yen as of the end of the fiscal year under review.

(Financial instruments and concentration of risk)

During the course of normal business, the Company Group records various types of financial assets and liabilities.

1. Assets and liabilities

(1) Cash, short-term investments, trade notes receivable, trade accounts receivable, financial instruments included in other noncurrent assets, short-term borrowings, trade accounts payable, bonds payable and long-term debt

The fair value of these financial instruments approximates the amounts carried on the consolidated balance sheet.

(2) Marketable securities and investment securities

Fair values are primarily calculated based on discounted present value computed using market value or the most recent market interest rate of products traded under similar terms. Fair values of marketable securities and investment securities are as follows.

(Millions of yen)	
	Fair value
Private debt securities	50,700
Equity securities	22,589
Investment trusts	1,988
Total	75,277

2. Financial derivatives

In order to hedge market risk arising from fluctuations in the foreign exchange market, the Company Group enters into forward exchange contracts. Additionally, the Company Group does not hold any forward exchange contracts for trading purposes. Counterparties are large-scale financial institutions, and as such, the credit risk is negligible. Furthermore, the Company Group does not foresee any defaults with regard to the counterparties.

The Company Group records changes in fair value of forward exchange contracts as gains or losses upon their occurrence.

Estimated principal on forward exchange contracts is as follows.

(Millions of yen)	
	Estimated principal
Forward exchange contracts	223,395

Fair values of forward exchange contracts are as follows.

(Millions of yen)				
	Assets		Liabilities	
	Item	Fair value	Item	Fair value
Forward exchange contracts	Prepaid expenses and other current assets	1,236	Accrued expenses and other current liabilities	1,529

3. Concentration of credit risk

The Company Group conducts sales in the global electronic device market.

In general, the Company Group grants credit to its customers, and the recovery possibility of these trade receivables is affected by conditions in the electronics industry. However, the Company Group is strict in granting credit, and has not experienced any large losses in the past.

(Notes to amounts per share)

1. Shareholders' equity per share	2,647.88 yen
2. Basic earnings attributable to Murata Corporation per share	286.05 yen

## Balance Sheets

(As of March 31, 2020)

(Millions of yen)

Item	Amount	Item	Amount
Assets	1,147,829	Liabilities	546,179
Current assets	549,833	Current liabilities	362,777
Cash	87,598	Trade accounts payable	108,554
Trade notes receivable	26	Short-term borrowings	194,459
Trade accounts receivable	308,886	Current portion of long-term borrowings	6,339
Marketable securities	29,554	Other accounts payable	13,333
Merchandise and finished goods	13,928	Accrued expenses	20,423
Raw materials and supplies	21,852	Accrued income tax	13,736
Work in process	20,696	Other	5,930
Accounts receivable	38,092	Long-term liabilities	183,401
Current portion of long-term loans receivable	23,762	Bonds payable	150,000
Other	5,437	Long-term borrowings	2,214
Allowance for doubtful notes and accounts	(2)	Termination and retirement benefits	30,684
Noncurrent assets	597,996	Other	503
Property, plant and equipment	146,182	Net assets	601,650
Buildings	48,696	Murata Corporation's Shareholders' equity	598,088
Structures	6,186	Common stock	69,444
Machinery	29,620	Capital surplus	126,521
Vehicles	144	Legal capital surplus	107,733
Equipment	8,191	Other capital surplus	18,788
Land	30,589	Retained earnings	455,685
Construction in progress	22,753	Legal retained earnings	7,899
Intangible assets	26,894	Other retained earnings	447,785
Investments and other assets	424,919	Reserve for reduction entry of land	13
Investment securities	43,772	Reserve for special depreciation	73
Shares of subsidiaries and associates	269,577	Reserve for reduction entry of replaced property	49
Investments in capital of subsidiaries and associates	19,027	General reserve	162,707
Long-term loans receivable	66,746	Retained earnings brought forward	284,940
Deferred tax assets	19,487	Treasury stock	(53,563)
Other	6,387	Valuation and translation adjustments	3,561
Allowance for doubtful notes and accounts	(79)	Valuation difference on other marketable securities	3,561
Total assets	1,147,829	Total liabilities and total net assets	1,147,829

## Income Statements

( From April 1, 2019  
to March 31, 2020 )

(Millions of yen)

Item	Amount	
Net sales		1,044,772
Cost of sales		799,955
Gross profit		244,817
Selling, general and administrative expenses		207,002
Operating income		37,814
Non-operating income		
Interest and dividend income	34,570	
Gain on sales of raw materials	7,217	
Other	6,962	48,751
Non-operating expenses		
Interest expense	863	
Foreign currency exchange loss	5,691	
Product replacement and repair costs	8,384	
Other	2,996	17,936
Ordinary income		68,629
Extraordinary income		
Gain on extinguishment of tie-in shares	7,823	7,823
Extraordinary losses		
Loss on valuation of shares of subsidiaries and associates	3,162	3,162
Income before income taxes		73,290
Current income tax	4,569	
Deferred income tax	1,050	5,620
Net income		67,669

## Statements of Shareholders' Equity

( From April 1, 2019  
to March 31, 2020 )

(Millions of yen)

	Murata Corporation's Shareholders' equity							
	Common stock	Capital surplus			Retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		
						Reserve for reduction entry of land	Reserve for special depreciation	Reserve for reduction entry of replaced property
Balance at April 1, 2019	69,444	107,733	18,696	126,429	7,899	13	147	49
Changes of items during period								
Restricted share remuneration			90	90				
Cash dividends								
Net income								
Purchases of treasury stock at cost								
Disposal of treasury stock			1	1				
Reversal of reserve for special depreciation							(74)	
Net changes of items other than shareholders' equity								
Total changes of items during period	-	-	92	92	-	-	(74)	-
Balance at March 31, 2020	69,444	107,733	18,788	126,521	7,899	13	73	49

	Murata Corporation's Shareholders' equity						Valuation and translation adjustments		Total net assets
	Retained earnings			Treasury stock	Total Murata Corporation's Shareholders' equity	Valuation and translation adjustments			
	Other retained earnings		Total retained earnings			Valuation difference on other marketable securities	Total valuation and translation adjustments		
	General reserve	Retained earnings brought forward							
Balance at April 1, 2019	162,707	277,122	447,941	(53,593)	590,222	5,605	5,605	595,827	
Changes of items during period									
Restricted share remuneration				42	132			132	
Cash dividends		(59,926)	(59,926)		(59,926)			(59,926)	
Net income		67,669	67,669		67,669			67,669	
Purchases of treasury stock at cost				(12)	(12)			(12)	
Disposal of treasury stock				0	1			1	
Reversal of reserve for special depreciation		74	-		-			-	
Net changes of items other than shareholders' equity						(2,043)	(2,043)	(2,043)	
Total changes of items during period	-	7,817	7,743	30	7,865	(2,043)	(2,043)	5,822	
Balance at March 31, 2020	162,707	284,940	455,685	(53,563)	598,088	3,561	3,561	601,650	

## Notes to Unconsolidated Financial Statements

(Notes to significant accounting policies)

### 1. Valuation standards and valuation methods of assets

#### (1) Valuation standards and valuation methods of marketable securities

Stock of subsidiaries and affiliated companies	Moving-average method
Other marketable securities	
With market value	Market value method based on market prices (Valuation differences are reported as a component of net assets, and the cost of securities sold is calculated using the moving-average method)
Without market value	At cost based on the moving-average method

#### (2) Valuations standards and valuation methods of derivatives

Derivatives	Market value method
-------------	---------------------

#### (3) Valuation standards and valuation methods of inventories

Finished goods	At cost based on the moving-average method (balance sheet amounts are calculated by writing down the book value of assets that have decreased in profitability)
Products, work in process	At cost based on the weighted-average method (balance sheet amounts are calculated by writing down the book value of assets that have decreased in profitability)
Raw materials and supplies	At cost based on the weighted-average method (balance sheet amounts are calculated by writing down the book value of assets that have decreased in profitability)

### 2. Depreciation method for noncurrent assets

#### (1) Property, plant and equipment

Straight-line method	
Primary useful lives are as follows.	
Buildings	10 to 50 years
Machinery and equipment	4 to 17 years

#### (2) Intangible assets

Straight-line method  
Software for internal use is amortized by the straight-line method based on an estimated useful life of 3 to 10 years.

### 3. Standards for recording of allowances

#### (1) Allowance for doubtful notes and accounts

To provide for possible losses resulting from uncollectible receivables such as trade accounts and loans, the estimated uncollectible amount is recorded based on historical default rate with regard to general accounts, and by individually assessing possible collectability for certain receivables such as loans with default possibility.

#### (2) Termination and retirement benefits

To provide for retirement benefits to employees, benefits are recorded based on the estimated amount of termination and retirement liabilities and pension assets as of the closing date.  
Prior service cost is recorded as expenses using the straight-line method based on the average remaining years of service of employees as of the time of occurrence. Actuarial differences are amortized using the straight-line method over the period of 5 years within the average remaining years of service of employees commencing the following fiscal year after incurrence.

4. Other significant matters concerning the preparation of unconsolidated financial statements

(1) Method of treatment for consumption taxes

Amounts are exclusive of consumption taxes.

(2) Application of consolidated taxation system

The consolidated taxation system is applied.

(3) The treatment of tax effect accounting for the transition from the consolidated taxation system to the group tax sharing system

For the transition to the group tax sharing system created under the “Act for Partial Amendment of the Income Tax Act, etc.” (Act No. 8, 2020) and items revised in line with the transition to the group tax sharing system, the Company has not applied the stipulations of the “Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No. 28, February 16, 2018) Paragraph 44 through the handling of the “Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (PITF No. 39, March 31, 2020) Paragraph 3. Amounts of deferred tax assets and deferred tax liabilities are based on provisions of the taxation law before revision.

(4) Amounts of less than one million yen are rounded down.

(Notes to unconsolidated balance sheets)

1. Accumulated depreciation of property, plant and equipment	200,950 million yen
2. Short-term monetary claims with affiliated companies	309,621 million yen
Long-term monetary claims with affiliated companies	68,421 million yen
Short-term monetary liabilities with affiliated companies	237,959 million yen
Long-term monetary liabilities with affiliated companies	2,214 million yen
3. Guarantee obligations	48 million yen

Warrantee	Guaranteed amount (Millions of yen)	Liability guaranteed
pSemi Corporation	48	Trade notes and accounts payable
Total	48	-

(Notes to unconsolidated income statements)

1. Transactions with affiliated companies

Business transactions

Net sales 894,386 million yen

Purchase turnover 748,067 million yen

Non-business transactions

Interest income 460 million yen

Dividend income 32,538 million yen

Asset transfer 1,484 million yen

Interest expense 686 million yen

Asset purchase 5,312 million yen

2. Research and development expenses 91,822 million yen

3. Gain on extinguishment of tie-in shares

Gain on extinguishment of tie-in shares occurred due to an absorption-type merger with Murata Electronics Co., Ltd., which was a consolidated subsidiary of the Company.

(Notes to statements of shareholders' equity)

1. Type and total number of issued shares as of March 31, 2020

Common stock 675,814,281 shares

2. Type and number of treasury stock as of March 31, 2020

Common stock 36,017,849 shares

3. Matters concerning dividends

(1) Amount of dividends paid

Resolution	Type of stock	Total amount of dividends (Millions of yen)	Dividend per share (yen)	Record date	Effective date
June 27, 2019 Ordinary General Meeting of Shareholders	Common stock	29,855	140	March 31, 2019	June 28, 2019
October 31, 2019 Meeting of the Board of Directors	Common stock	30,070	47	September 30, 2019	December 2, 2019

(Note) The Company implemented a three-for-one common stock split, effective April 1, 2019.

(2) Of dividends with a record date during the fiscal year under review, and with an effective date during the following fiscal year  
As a proposal at the Ordinary General Meeting of Shareholders on June 26, 2020, the Company plans to propose the following concerning dividends for common stock.

1) Total amount of dividends 31,989 million yen

2) Dividend per share 50 yen

3) Record date March 31, 2020

4) Effective date June 29, 2020

The Company plans to use retained earnings as source of funds for dividends.

(Notes to tax effect accounting)

1. Breakdown of primary causes for occurrence of deferred tax assets and liabilities

Deferred tax assets		Deferred tax liabilities	
Accrued bonuses	2,714 million yen	Other marketable securities	
Inventories	5,306 million yen	valuation adjustment	1,765 million yen
Accrued expenses	1,338 million yen	Reserve for special depreciation	32 million yen
Accounts payable - other	55 million yen	Other	78 million yen
Accrued enterprise tax	359 million yen	Total deferred tax liabilities	1,875 million yen
Termination and retirement benefits	9,389 million yen	Elimination with deferred tax assets	(1,875) million yen
Stock of affiliated companies	4,498 million yen	Net deferred tax liabilities	-
Tangible and intangible assets	2,125 million yen		
Deferred tax adjustment	320 million yen		
Investment securities	756 million yen		
Other	<u>736 million yen</u>		
Deferred tax assets subtotal	27,603 million yen		
Valuation allowance for total deductible			
temporary differences, etc.	<u>(6,239) million yen</u>		
Total deferred tax assets	21,363 million yen		
Elimination with deferred tax liabilities	<u>(1,875) million yen</u>		
Net deferred tax assets	19,487 million yen		

2. Difference between effective statutory tax rate and income tax rate after application of tax effect accounting

Effective statutory tax rate	30.5 %
(Adjustments)	
Exemption for dividend income	(13.5) %
Tax exemption for R&D promotion tax system	(11.4) %
Valuation allowance for deferred tax assets	1.8 %
Other	<u>0.3 %</u>
Income tax rate after application of tax effect accounting	<u><u>7.7 %</u></u>

(Notes to transactions with related parties)

1. Subsidiaries and affiliated companies, etc.

(Millions of yen)

Type	Name of company, etc.	Percentage of voting rights holding (or held)	Relationship with related party	Summary of transactions	Transaction amount	Item	Balance at the end of the fiscal year
Subsidiary	Fukui Murata Manufacturing Co., Ltd.	Holding Directly, 100%	Manufacturing of the Company's products Officers concurrently serving at the Company	Procurement of products, etc. (Note 1)	127,308 (Note 2)	Trade accounts payable	10,555 (Note 2)
				Borrowing of funds Payment of interest (Note 3)	34,033 21	Short-term borrowings	14,157
Subsidiary	Izumo Murata Manufacturing Co., Ltd.	Holding Directly, 100%	Manufacturing of the Company's products Officers concurrently serving at the Company	Procurement of products, etc. (Note 1)	167,906 (Note 2)	Trade accounts payable	11,696 (Note 2)
				Borrowing of funds Payment of interest (Note 3)	16,473 4	Short-term borrowings	7,679
Subsidiary	Kanazawa Murata Manufacturing Co., Ltd.	Holding Directly, 100%	Manufacturing of the Company's products Officers concurrently serving at the Company	Borrowing of funds Payment of interest (Note 3)	26,744 7	Short-term borrowings	34,357
Subsidiary	Okayama Murata Manufacturing Co., Ltd.	Holding Directly, 100%	Manufacturing of the Company's products Officers concurrently serving at the Company	Procurement of products, etc. (Note 1)	114,922 (Note 2)	Trade accounts payable	4,483 (Note 2)
				Borrowing of funds Payment of interest (Note 3)	11,491 6	Short-term borrowings	8,061
Subsidiary	Toyama Murata Manufacturing Co., Ltd.	Holding Directly, 100%	Manufacturing of the Company's products Officers concurrently serving at the Company	Lending of funds Reception of interest (Note 3)	46,229 305	Current portion of long-term loans receivable Long-term loans receivable	39,757
Subsidiary	Tohoku Murata Manufacturing Co., Ltd.	Holding Directly, 100%	Manufacturing of the Company's products Officers concurrently serving at the Company	Borrowing of funds Payment of interest (Note 3)	13,458 3	Short-term borrowings	9,229

Type	Name of company, etc.	Percentage of voting rights holding (or held)	Relationship with related party	Summary of transactions	Transaction amount	Item	Balance at the end of the fiscal year
Subsidiary	Murata Company Limited	Holding Directly, 100%	Sales of products of the Company and subsidiaries	Sales of products, etc. (Note 1)	296,663	Trade accounts receivable	91,330
				Borrowing of funds Payment of interest (Note 3)	30,590 627	Short-term borrowings	35,406
Subsidiary	Murata Electronics Trading (Shanghai) Co., Ltd.	Holding Indirectly, 100%	Sales of products of the Company and subsidiaries Officers concurrently serving at the Company	Sales of products, etc. (Note 1)	139,402	Trade accounts receivable	66,864
Subsidiary	Korea Murata Electronics Company, Limited	Holding Directly, 100%	Sales of products of the Company and subsidiaries Officers concurrently serving at the Company	Sales of products, etc. (Note 1)	135,918	Trade accounts receivable	18,996
Subsidiary	Philippine Manufacturing Co. of Murata, Inc.	Holding Directly, 100%	Manufacturing of the Company's products	Lending of funds Reception of interest (Note 3)	31,427 73	Current portion of long-term loans receivable Long-term loans receivable	36,800

Transaction conditions and standard for determining transaction conditions

(Note 1) Determined via the same method as general transactions, in consideration of market prices.

(Note 2) Transaction amounts do not include consumption taxes. Balance at the end of the fiscal year includes consumption taxes.

(Note 3) Borrowing and lending of funds includes transactions via the cash management system (CMS), and is determined in consideration of market interest rates.

As the fund management operations business for the Japanese subsidiaries is concentrated within the Company, there are borrowings from each company and lending of funds to each company.

Furthermore, transaction amounts are the average balance over the course of the fiscal year under review.

2. Officers and primary shareholders, etc.

(Millions of yen)

Type	Name of company, etc.	Percentage of voting rights holding (or held)	Relationship with related party	Summary of transactions	Transaction amount	Item	Balance at the end of the fiscal year
Officer and close relative	Tsuneo Murata	Held Directly, 0.7%	Chairman of the Board and President of the Company	Transactions with the Murata Science Foundation, for which he serves as Chairman * Donation of cash	100	-	-

\* For a third party.

(Notes to amounts per share)

Net assets per share	940.38 yen
Net income per share	105.77 yen

(Other notes)

Accounting for termination and retirement benefits

(1) Summary of termination and retirement benefit system utilized by the Company

As a defined benefit plan, the Company has established a fund-type defined benefit corporate pension plan and a lump-sum retirement pension plan. It also operates a defined contribution pension plan.

(2) Matters concerning the defined-benefit type termination and retirement benefit liabilities (As of March 31, 2020)

a. Termination and retirement benefit liabilities	119,293 million yen
b. Pension assets	76,613 million yen
<hr/>	
c. Termination and retirement benefit liabilities in excess of pension assets (a – b)	42,679 million yen
d. Unrecognized actuarial differences	13,191 million yen
e. Unrecognized prior service cost	(1,196) million yen
<hr/>	
f. Termination and retirement benefits (c – d – e)	30,684 million yen

(3) Matters concerning the defined-benefit type termination and retirement expenses (From April 1, 2019 to March 31, 2020)

a. Service cost	5,598 million yen
b. Interest expenses	453 million yen
c. Expected operational profit	(1,540) million yen
d. Recorded amount of actuarial difference expenses	3,976 million yen
e. Recorded amount of prior service cost	(763) million yen
<hr/>	
f. Termination and retirement expenses (a + b + c + d + e)	7,724 million yen

(4) Matters concerning calculation of the defined-benefit type termination and retirement benefit liabilities

a. Distribution period method for expected termination and retirement benefits	Benefit formula standard
b. Discount rate	0.3 %
c. Expected operational profit rate	2.0 %
d. Number of years for evaluating prior service cost	16 to 20 years (Amortized using the straight-line method based on the average remaining years of service of employees as of the time of occurrence)
e. Number of years for evaluating actuarial differences	5 years (Amortized using the straight-line method over a certain number of years within the average remaining years of service commencing the following fiscal year after incurrence.)

(5) Matters concerning defined contribution pension plans (From April 1, 2019 to March 31, 2020)

Recognized costs involved in contributions to defined contribution pension plans during the fiscal year under review are 856 million yen.